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**Testimony in Support**

**LD 1708 An Act To Create the Pine Tree Power Company, a Nonprofit Utility, To Deliver Lower Rates, Reliability and Local Control for Maine Energy Independence**

Joint Standing Committee on Energy, Utilities and Technology

May 20, 2021

Senator Lawrence, Representative Berry, members of the Joint Committee, my name is Gerry Runte. I am a constituent of Senator Lawrence and live in York. Thank you for the opportunity to testify today in support of LD 1708.

Maine has laid out its climate action goals, calling for deep decarbonization of its economy. Much of that decarbonization can occur through a combination of:

- Real time electricity demand management and energy efficiency
- Shifting reliance on fossil energy to beneficial electrification from increasing lower carbon sources
- Distribution system design and regulation using best available technology.

To cost effectively achieve these goals, an energy delivery system must be designed and operated as a multi-directional network, accompanied by a regulatory structure that incentivizes efficient performance and distributed energy resources.

At present Maine's energy delivery system operates using a mid-20th century style one-directional system. Substantial investment will be necessary to both improve reliability to a level that Maine consumers deserve and reconfigure the system as a multi-directional network.

There are two primary ways to resolve these issues: a major, comprehensive restructuring of Maine's energy regulatory structure and the PUC (the top-down approach) or compelling the two largest investor-owned utilities (IOUs) to embrace these concepts and make the required changes (the bottom-up approach).

The top-down approach would be preferred and is the means by which other states are accomplishing similar goals. Unfortunately, fixing the regulatory structure in Maine in any significant way seems very unlikely, given the lack of action to date. We need to admit that the problems faced by the state and especially the poor performance of the IOUs is a self-inflicted wound caused by the outright absence of regulation (requiring utility performance standards), or otherwise ineffective regulation that no one seems interested in correcting.

Since there is great urgency to restructure how the energy delivery system is operated and regulated, pragmatism leads us to look to the bottom-up approach. Unfortunately, neither CMP or Emera appear to have the know how or interest in accomplishing the state's climate action goals, much less providing an acceptable level of reliability. This leads to the conclusion that replacing those IOUs with a utility, such as Pine Tree Power, with a mandate to ensure adequate reliability, grid modernization and be a model for the energy delivery system of the future.

Acquiring the existing infrastructure of CMP and Emera, bringing that system's reliability and customer service up to standards, and transitioning to a multi directional grid will be no simple task and will involve substantial upfront costs.

However, while the creation of Pine Tree Power might be the most expedient approach to meet state goals, the state needs to be pragmatic and acknowledge that simply changing ownership does not assure reduced cost, increased reliability or achieving zero carbon operations.

Does the Pine Tree Power business model cost or save money? The LEI analysis indicated potentially marginal cost reductions in rates over the long term, tempered by a very large range of error. By manipulating LEI's model, Dr. Silkman concluded ratepayers would save \$9 billion over 30 years (a calculation LEI subsequently found in error) and Concentric Energy Advisors recently concluded there was a possibility of a \$4.5 billion added ratepayer cost.

This illustrates that any analysis of the economic impacts of a public power business model must include a probabilistic risk analysis (PRA) to address the huge uncertainties in such an analysis. Any attempt to claim Pine Tree Power will cost or save any specific dollar amount is premature.

Does the Pine Tree Power business model provide greater reliability? It has been implied by this bill's advocates that higher reliability is correlated with the style of utility ownership. No such correlation exists.

Does the Pine Tree Power business model more effective than an IOU in achieving net zero carbon? The top 10 utilities in implementing zero carbon operations include 5 IOUs and 5 public power utilities<sup>i</sup>. Publicly owned utilities have no corner on this market.

A few attributes common to the top 10 utilities include<sup>ii</sup>:

- Explicit commitments to carbon reduction
- Transformation touching all dimensions of the utility business and operations.
- A transformation culture where leadership, transparency and accountability facilitate the transition to a clean and modern future.
- Proactive and strategic collaboration with other stake holders.

Amidst this great uncertainty, what is certain that the operators of Pine Tree Power will be committed to creating a 21<sup>st</sup> century electricity delivery system that provides excellence of operation and supports climate action goals, which will be uniquely designed and operated to achieve these objectives. Ratepayers and the general public need to be fully aware of why this is necessary, what is at stake and be provided an honest appraisal of what it will take.

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<sup>i</sup> 2021 Utility Transformation Study, Smart Electric Power Alliance Leaderboard Austin Energy; Consolidated Edison of New York; Green Mountain Power; Holyoke Gas and Electric Department; Los Angeles Department of Water and Power; Pacific Gas & Electric; Sacramento Municipal Utility District; San Diego Gas & Electric; Seattle City Light; Southern California Edison  
<https://sepapower.org/knowledge/beyond-commitments-assessing-utility-transformation-to-clean-and-modern/>

<sup>ii</sup> Ibid.